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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR MAY 2, 2005

OPEC's Secretary General Adnan Shihab-Eldin said expected increases in OPEC's output would cover high forward demand for oil. He said OPEC's current production stood at 29.7 million bpd and was expected to reach 30 million bpd, covering increasing demand in the third and fourth quarters of 2005. He said OPEC remained ready to act to ensure market stability. He also stated that high oil prices are not in the interest of producers. Meanwhile, OPEC's President Sheikh Ahmad al-Fahd al-Sabah said there is an oversupply of 2 million bpd, with the ten OPEC members producing 29.7 million bpd. He said OPEC increased its production by 2 million bpd since mid-March. His comments contradicted

Market Watch

US Treasury Secretary John Snow said that higher energy prices are taking their toll on US economic growth. He said the moderation in the economy's expansion is due to the high energy prices.

US Energy Secretary Samuel Bodman will meet with Asian consumers and European energy officials this week to discuss energy security and supply.

Australia & New Zealand Banking Group Ltd said in a reported that crude oil prices this year may be 18% higher than expected due to increasing demand, OPEC's management of prices and slowing Russian output. It lifted its forecast for WTI to \$46.20/barrel from a previous forecast of \$39/barrel. It increased its 2006 forecast by 13% to \$36/barrel.

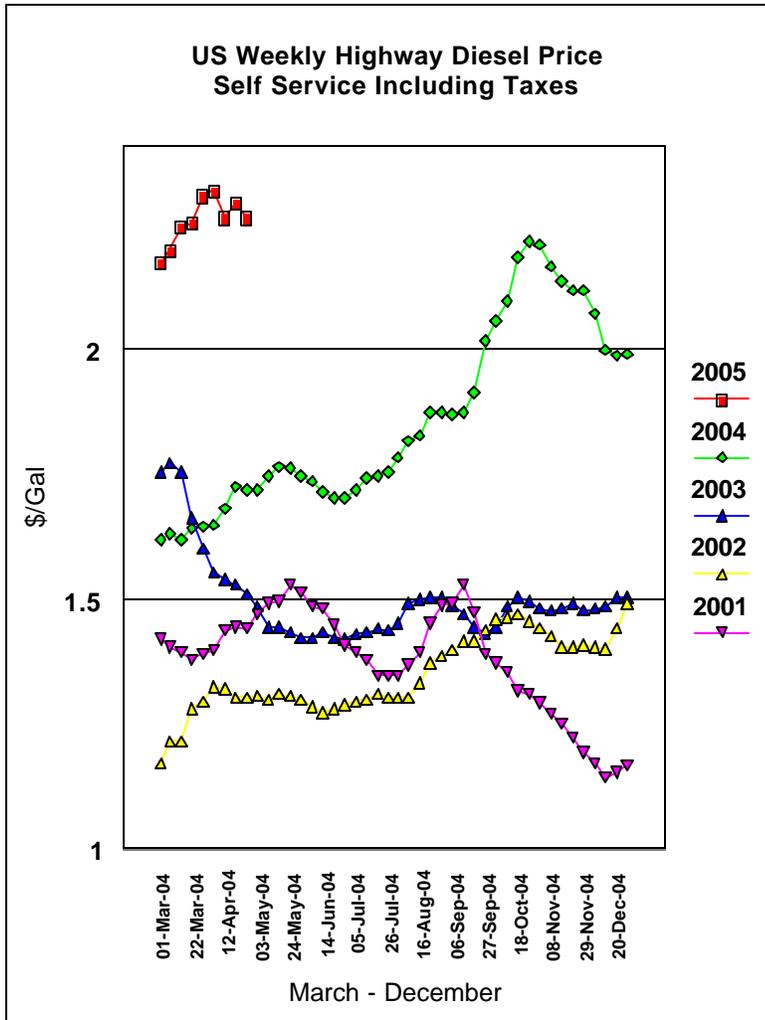
The European Union is scheduled to meet OPEC representatives on June 9. It said the EU is in the process of implementing measures to improve the transparency of the oil market to reduce the volatility in the market.

The Iraqi Parliament will swear in the new government after incoming Prime Minister Ibrahim al-Jaafari appoints officials to the government's two unfilled deputy prime minister positions and the five Cabinet posts now served by acting ministers.

Oman has reassigned the operatorship of its Mukhaizna oilfield to US Occidental after a dispute with Royal Dutch/Shell over increasing output. However Shell said it would play a role in the heavy crude producing Mukhaizna oilfield.

A Kuwaiti oil official stated that a parliamentary subcommittee is expected in May or June to release recommendations on Kuwait's long stalled proposal to open up its northern oil fields to oil majors.

The Institute for Supply Management's index of national manufacturing activity fell to 53.3 in April from 55.2 in March. Economists had forecast a decline in the index to 55 last month.



comments made by the Secretary General who stated that total OPEC production, including Iraq, stood at 29.7 million bpd.

The head of the IEA, Claude Mandil said the sharp decline in oil prices is welcome but may not last. He agreed with assessments that the market is well supplied. However he stated that OPEC needs to convince the market it will make supplies available when they are needed.

An Iraqi oil official stated that technicians are still repairing a leak in the northern crude pipeline to Turkey's Ceyhan port that was shut down on Friday after it briefly resumed pumping. Iraq resumed oil pumping via the pipeline however the operation was halted after they found a leak in the line. Iraqi officials said about 100,000 barrels of crude was pumped, increasing oil stocks in tanks at Ceyhan to 700,000 barrels.

The EIA reported that the average price of diesel fell by 2.7 cents/gallon to \$2.262/gallon in the week ending May 2. It also reported that the average price of gasoline fell by just 0.1 cent/gallon to \$2.235/gallon.

OPEC's news agency reported that OPEC's basket of crudes fell by 13 cents/barrel to \$47.90/barrel on Friday from \$48.03/barrel on Thursday. It also reported that the basket of crudes increased by \$1.60/barrel to \$49.60/barrel in the week ending April 28, up from \$48.00/barrel reported the previous week.

Refinery News

One of two associated sulfur units at Alon's USA's refinery in Big Spring, Texas is operating at reduced rates following a malfunction Friday and repairs are planned to start in about a week.

Lyondell-Citgo Refining is overhauling a crude distillation unit at its 270,000 bpd refinery in Houston, Texas. In addition to the crude unit, a related coking unit, a hydrogen desulfurization unit and part of a sulfur recovery unit are also included in the planned overhaul. The overhaul started in mid-April and could last between five and six weeks.

Production News

According to the US Coast Guard, the Sabine Ship Channel was reopened to all traffic late on Saturday. The channel was closed on Thursday when a crew boat collided an oil tanker near the

entrance in the Gulf of Mexico. A total of 20 ships, 11 entering and nine departing, were waiting to use the channel on Saturday.

Kuwait's Oil Minister Sheikh Ahmad Fahad al-Ahmad al-Sabah said that Kuwait's oil production capacity has reached 2.7 million bpd. It increased its capacity following the reopening of gas boosting station no. 131 at oil gathering center no. 15 in the northern Rawdhatain oilfield. He however stated that the higher capacity did not mean Kuwait would immediately increase its production.

Officials stated that drilling of a Barents Sea well for Statoil remained halted on Monday, about three weeks after it was halted due to an oil leak from the rig. It stopped drilling the exploration well after 1.6 cubic meters of hydraulic oil was spilled on April 12 from the Eirik Raude rig at its Guovca prospect.

Mexico's Pemex stated that export growth and higher crude oil prices increased its first quarter sales. It exported an average of 1.86 million bpd during January-March, up more than 2% on the year. Crude production fell by 66 million bpd to 3.32 million bpd.

Brazil's Petrobras will invest \$1.9 billion in Gulf of Mexico oil and gas exploration and development over the next five years. It will concentrate in ultra deepwater, deep shelf and the western Gulf of Mexico. It plans to drill seven wells in the Gulf of Mexico in 2005.

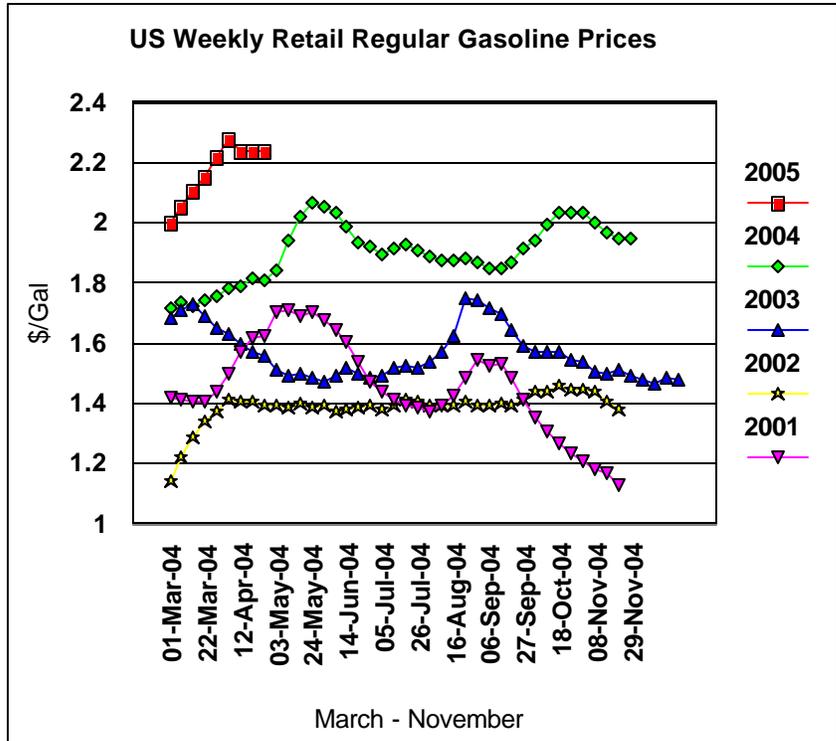
Saudi Aramco set its May contract price for propane at \$420/ton, up \$5/ton from the April level. It also increased its May price for butane by \$5 to \$423/ton.

Traders stated that Oman increased the official selling price for its crude sold in April to term lifters to \$48.76/barrel, up from \$47.20/barrel in March.

South Korea has agreed to lease part of its oil storage facilities to Algeria, paving the way for wider cooperation in the oil industry with Algeria. It agreed to lease 2 million barrels of oil storage capacity at its Ulsan base to Algeria's Sonatrach for the next three years. The deal with the OPEC producer will help South Korea secure wider sources of crude supply and cut its heavy dependence on the Middle East.

Market Commentary

The oil market, which posted an inside trading day, settled sharply higher on the day at 50.92, up \$1.20. The market opened 52 cents lower at 49.20 this morning as it remained pressured in overnight trading on Access. It quickly posted an intraday low of 49.17. However the market, which failed to test its previous low of 49.10, bounced off its low and retraced some of its losses as it traded to the 50.00 level, where it held some resistance for most the session. The market settled in a range from 49.30-



49.80 before the market breached the psychological level of 50.00 and rallied ahead of the close. The market surged to a high of 51.05 on the close as it retraced most of Friday's sharp losses. Volume in the crude was good with 172,000 lots booked on the day. Meanwhile the product markets were well supported by the renewed strength in the crude market, with the heating oil market settling up 3.73 cents at 146.32 and the gasoline market settling up 1.84 cents at 151.45. Similar to the crude market, the heating oil market posted an inside trading day. It opened down 89 points at 141.70 and posted a low of 141.50 as it held good support at Friday's low of 141.00. The market bounced off its low and settled in a range from 142.00 to 143.00 for most of the session. However the market breached its resistance level and extended its gains to over 4.3 cents as it surged to a high of 146.95 ahead of the close. The gasoline market gapped lower this morning from 148.00 to 147.00 and posted a low of 146.90. However the market backfilled its gap as it traded to 148.30 early in the session. Similar to the rest of the complex, the gasoline market settled in a sideways trading range before a late burst of buying pushed the market to its high of 151.90 ahead of the close. Volumes in the product markets were light with 36,000 lots booked in the heating oil and 37,000 lots in the gasoline market.

The crude market is seen remaining range bound ahead of the release of the weekly petroleum stock reports on Wednesday. It seems the market may have found its near term bottom as it failed to breach its support early in the session. The market is seen finding resistance at its high of 51.05 followed by its previous high of 51.60. More distant resistance is seen at 51.69, 52.49 and 53.29. Meanwhile support is seen at 50.50, 50.00 followed by its low of 49.17 and 49.10.

Technical Analysis		
	Levels	Explanation
CL 50.92, up \$1.20	Resistance 51.69, 52.49, 53.29 51.05, 51.60	38%, 50% and 62% retracement (55.88 and 49.10) Monday's high, Friday's high
	Support 50.50, 50.00 49.17, 49.10	Monday's low, Friday's low
HO 146.32, up 3.73 cents	Resistance 148.00, 148.65, 149.00 146.95	Friday's high, 50%, Previous high Monday's high
	Support 145.30, 144.00 142.00, 141.50, 141.00	Monday's low, Friday's low
HU 151.45, up 1.84 cents	Resistance 153.50, 155.50 151.90	Friday's high, Thursday's high Monday's high
	Support 150.00, 148.00 146.90	Monday's low